

PRIME INVESTMENTS



PRIME INVESTMENTS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT 2005

	<i>Page</i>
Corporate Information	02
Chairman's Statement	03
Biographical Details of Directors	04
Report of the Directors	06
Report of the Auditors	11
Consolidated Income Statement	12
Consolidated Balance Sheet	13
Consolidated Statement of Changes in Equity	14
Consolidated Cash Flow Statement	15
Balance Sheet	16
Notes of Financial Statements	17

BOARD OF DIRECTORS

Executive Directors

Mr. Lan Ning
Ms. Chiu Kam Hing, Kathy
Mr. Pong Po Lam, Paul
Ms. Ho Chiu King, Pansy
Ms. Wang Wenxia, Wendy
Mr. Wu Shenbin

Non-Executive Directors

Mr. Ding Xiaobin
Dr. Chan Po Fun, Peter

Independent Non-Executive Directors

Dr. Cheung Wai Bun, Charles
Mr. Zhang Yong
Mr. Gu Qiu Rong

COMPANY SECRETARY

Mr. Li Chi Chung

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

SHARE REGISTERED AND TRANSFER OFFICE

Tengis Limited
G/F, BEA Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

TRADING CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

0721

INVESTMENT MANAGER

Glory Investment Assets Limited
Room 2505, 25/F
No. 9 Queen's Road Central
Central
Hong Kong

LEGAL COUNSEL

Cayman Islands
Conyers Dill & Pearman
Barristers and Attorneys

AUDITORS

CCIF CPA Limited
37/F, Hennessy Centre
500 Hennessy Road
Causeway Bay, Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 504, 5/F
34-37 Connaught Road Central
Central
Hong Kong

On behalf of the Board of Directors, I present to you the Group's annual report and audited financial statements, for the year ended 30 June 2005.

FINANCIAL RESULTS

The group recorded a net loss attributable to shareholders of approximately HK\$2.5 million as compared to approximately HK\$6.1 million in the previous year.

DIVIDEND

The Board of Directors does not recommend the payment of any dividend for the year ended 30 June 2005.

OVERVIEW

During the period under review, the Group engages in three projects: (1) the interest in an unlisted equity investment which engaged in the development of medical product in the People's Republic of China ("PRC"); (2) the development of a website providing online professional consultancy services in the PRC; (3) the production and distribution of window frames in the PRC.

The Group had not made any major investments during the same period due to lack of new capital for investment. Also, the Group's existing investments are all in unlisted equities which are long-term and illiquid in nature. For this reason, although the Hong Kong stock market marked a considerable recovery in year 2005, the Group did not benefit from the stock market rally.

EMPLOYEES

As at 30 June 2005, the Group has employed 3 employees. The total remuneration paid to staff excluding the directors' remuneration was approximately HK\$329,399, during the period under review. The employees were remunerated based on their responsibilities and performance.

FUTURE PROSPECTS

The Group is consolidating its investments and tuning its financial position with an objective in minimizing losses which might arise from unsound investments, while strengthening investments with stable revenues.

During this year, the Group introduced management experts to join the management team to strengthen its leadership. Most of them have PRC background, and may inject profitable projects into the Group. We firmly believe that under the guidance of a capable management team, the Group will surely be able to record remarkable revenues in the coming year, leading our business back on track.

We believe Hong Kong has come through the worst. With the implementation of CEPA, the gradual deregulation of the mainland capital markets and the resulting increase in business activities and opportunities, we are optimistic that the economy and the stock market will recover at a hastened pace, and will benefit Hong Kong as a whole.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express my gratitude to all of our business partners, shareholders, directors, and staff for their hard work and contributions during the year.

On behalf of the Board

Lan Ning
Chairman

Mr. Lan Ning, aged 42, graduated with a Beijing International Master of Business Administration degree from Peking University, is former senior director of China Poly Group Corporation, and founder and chairman of Guangzhou Poly Investment Ltd. Mr. Lan has extensive experience in various businesses including international trading, property development, investment, asset management, securities, corporate mergers and domestic and overseas strategic investment.

Ms. Wang Wenxia, Wendy, aged 44, holds a master degree in finance from Dongbei University of Finance and Economics. Ms. Wang currently holds senior management positions in various unlisted companies incorporated in the People's Republic of China with limited liability but did not hold any position in other listed companies in the last three years prior to her appointment. In particular, Ms. Wang has over 5 years' active experience at the management level in structured finance, investment and asset management services for third party investors in PRC joint venture projects. These projects relate to properties development and her duties in respect of these projects include deciding how to invest the fund for the properties development projects. Ms. Wang's duties include but not limited to decision making and financial data analysis. The then employer of Ms. Wang was a corporation carrying on business of mergers and acquisitions and real property development.

Cavaliere Kathy K. H. Chiu, JP, aged 55. Ms. Chiu has over thirty years of banking and finance experiences in Canada and the Asia Pacific Region. She served as a member of the Board of Trustees of the Lord Wilson Heritage Trust and the Sir Edward Youde Memorial Fund, as a member of the Sir Robert Black Trust Fund Committee and the Joint Committee on Student Finance, and as an ex-officio member of the Gratham Scholarships Fund Committee. Ms. Chiu is active in community services and was appointed by the Government of Hong Kong to serve as a member to the Deportation Tribunal, the Solicitors Disciplinary Tribunal Panel, the Regional Advisory Committee for Hong Kong Hospital Authority and the Education Commission, and as an adjudicator of the Immigration Tribunal and the Obscene Articles Tribunal. She was the Chairman of Po Leung Kuk in 1991-92 and a committee member of the Jackie Chan Charitable Foundation. Ms. Chiu recently gained her diploma in Beijing University of Economics, Finance & Political studies in 2002. She is an independent non-executive director of Qianlong Technology International Holdings Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange. Ms. Chiu is Montblanc Outstanding Business Lady of the year 2002 in Hong Kong.

Mr. Wu Shenbin, aged 40, is the assistant general manager of CITIC United Asia Investments Limited, a wholly owned subsidiary of CITIC Group. He is also the executive vice president of CITIC Gold Group Limited and CITIC Energy Inc., wholly owned subsidiaries of CITIC Group. He is an associate member of the CPA Australia. He holds a degree in Master of Business Administration from the Queensland University of Technology. He has extensive experience in asset management and investment.

Mr. Pong Po Lam, aged 49, has been the Managing Director of Pegasus Fund Managers Limited since 1990. He has worked in the fund management industry for nearly twenty years. He is also currently the Executive Director of several companies and funds most of which are related to Mainland China and listed on the Stock Exchange of Hong Kong. He is the Chairman of Communication Sub-committee of The Institute of Financial Planners of Hong Kong, Executive Committee member of The Hong Kong Institute of Financial Analysts and Professional Commentators Ltd, China Sub-committee member of the Hong Kong Investment Funds Association, Chairman of Investment and Fund Management Services of CEPA Business Opportunities Development Alliance, Lecturer of HKU SPACE programme and a regular guest speaker at senior management training courses for several financial/insurance companies.

Mr. Pong has been the director of 3 ADI-Kallista Funds, namely "Kallista Arbitrage Strategies Fund", "Kallista Credit Arbitrage Fund" and "Kallista CB Arbitrage Fund" since 2000 (which has managed AUM Euro 183 million and USD59.2 million in total as at 31 October, 2005). He is also an advisor of Great Wall Fund Management Co Ltd (which is a domestic fund house in China, managed RMB7.5 billion as at 5 August, 2005). He was formerly a Director of Gartmore Fund Managers (Far East) Limited. During the past 15 years, he has been appointed as a director of AGRI-AM SITC, a Securities and Investment Trust Corporation set up in Taiwan as a joint venture with Credit Agricole Group, and received mandates as advisor or trustee for several funds. He set up a joint-venture company with Lipper, a Wall Street famous company, in 1992 to carry out the fund ratings for Asian funds. He was appointed as a member of the Business Advisory Panel in 2000 by the Hong Kong Industrial Technology Centre Corporation. He is a graduate of the Chinese University of Hong Kong with a B.Sc. and an EMBA degree. He is also a Certified Financial Planner and a fellow of The Hong Kong Institute of Directors.

Ms. Ho Chiu King, Pansy, aged 43, currently is the managing director of Shun Tak Holdings Limited, the chief executive officer and director of Shun Tak – China Travel Shipping Investments Limited, director of Sociedade de Turismo e Diversões de Macau, S.A.R.L., chairman of Macau Tower Convention & Entertainment Centre, and executive director of Air Macau Company Limited. She is also a committee member of The Chinese People's Political Consultative Conference of Beijing, member of the Executive Committee of All-China Federation of Industry & Commerce and vice president of its Chamber of Tourism and Chamber of Women, member of the Committee on Museum of HK SAR Home Affairs Bureau, executive committee member and board director of The Community Chest of Hong Kong, founding honorary advisor and board director of The University of Hong Kong Foundation for Educational Development & Research and advisory council member of The Better Hong Kong Foundation. Recently, she has been appointed as advisory board member of UNDP – Peace and Development Foundation. Ms. Ho holds a Bachelor degree in marketing and international business management from the University of Santa Clara.

Mr. Ding Xiaobin, aged 36, has been honored the academic title of economist. He is ever chronologically worked for business enterprises in fields of banking, futures, clothes, import & export and investments. Currently as the managing director of Guangdong Poly Investment Limited, he is mainly in charge of direct investment consultant for projects in lines of clothes sales, harbor operation, agricultural products processing, building materials manufacturing, chemical synthesis and so on, with close cooperative relationship with the domestic banks, not only the 4th biggest state-owned commercial banks, but also state policy banks and stocked banks. Mr. Ding has rich experience in management, merger and acquisition, restructuring.

Dr. Chan Po Fun, Peter, BBS, JP, M.B.E., DS, Ph.D., aged 83, a certified public accountant for 58 years. He was the chairman of The Kowloon Stock Exchange Limited, a member of committee on Takeovers and Mergers of the former Securities Commission and the chairman of the former Hong Kong Federation of Stock Exchanges. He was a registered dealing director under the Securities Ordinance and was a member of the Urban Council for 14 years. Dr. Chan has served on the boards of many public companies in Hong Kong. He is a honorary fellow of the Society for Underwater Technology and is a member of a number of scientific institutions. Dr. Chan has been a member, and the treasurer, of the board of the Chinese Permanent Cemeteries since 1967 and the chairman of its finance committee. He is trustee of the S.K. Yee Medical Foundation.

Dr. Cheung Wai Bun, Charles, JP, aged 69, is the group chief executive and executive deputy chairman of Mission Hills Group, Hong Kong. He holds an Honorary Doctorate degree in Business Administration, a Master degree in Business Administration and a Bachelor degree of science. Dr. Cheung has more than thirty-eight years working experience and he has held senior management positions in various industries including banking, finance, property, hotel development, management and investments. He is a non-executive director and chairman of the respective audit committees of K. Wah International Holdings Limited, K. Wah Construction Materials Limited, Pioneer Global Group Limited, which are companies listed on the Main Board. Dr. Cheung was a former director and adviser of the Tung Wah Group of Hospitals. He is a vice chairman of Guangdong Province Golf Association. Dr. Cheung was awarded the Directors of the Year Awards 2002 of Listed Company Non-executive Director (2002上市公司傑出非執行董事). Dr. Cheung is a member of the Estate Agents Authority (地產代理監管局).

Mr. Gu Qiu Rong, aged 39, the Chinese Certified Public Accountants and the Chinese Certified Tax Agent. Mr. Gu has extensive experience in accounting and corporate finance management. Over the last decade, Mr. Gu engaged in various fields, such as import and export trading, shipping, commercial wholesale, chain operations and investments consultancy and held numerous senior management positions with various corporations. Mr. Gu is currently vice general manager of Guangzhou Cofidelen Science & technology Development Co. Ltd.

Mr. Zhang Yong, aged 50, a PH.D, is a young professor and supervisor of PH.D. students. He has been honored the academic titles of National Expert of Great Contribution, Celebrated Expert of Embryo Engineering, founder of Animal Clone Base of China. Meanwhile he is the founder of the Academic Institute of Biological Engineering of Northwest Sci-Tech University of Agriculture and Forestry and Yangling Keyan Biological Engineering Ltd. As Chairman of Yang Ling Keyuan Clone Science & Technological Company Ltd, professor Zhang is also title as member of the Technology Committee belonging to National Agriculture Department, invited member of Government's Decision-making Consultation Committee of Shan Xi province, resident syndic of Academic Committee of Agriculture Biology Technology. Professor Zhang is professionally skilled with breeding, marketing and technology information for poultry industry. He is also good at, from microcosmic and macrocosmic point of view, mastering the developing and the stratagem and tactics for hi-tech poultry corporations.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 30 June 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, while the Group is principally engaged in investing in listed and unlisted companies established and/or doing business in Hong Kong and other parts of the People's Republic of China (the "PRC"). Details of the principal activities of the subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The Group's loss for the year ended 30 June 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 12 to 32.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last four financial years, as extracted from the audited financial statements, is set out below.

	Year ended 30 June 2005 HK\$	Year ended 30 June 2004 HK\$	Year ended 30 June 2003 HK\$	Year ended to 30 June 2002 HK\$
Turnover	<u>–</u>	<u>–</u>	<u>3,503,172</u>	<u>2,891,700</u>
Net loss for the year attributable to shareholders	<u>(2,552,955)</u>	<u>(6,100,480)</u>	<u>(18,156,574)</u>	<u>(4,971,570)</u>
	2005 HK\$	2004 HK\$	2003 HK\$	2002 HK\$
TOTAL ASSETS	<u>9,244,245</u>	<u>9,256,533</u>	<u>15,496,763</u>	<u>29,981,837</u>
TOTAL LIABILITIES	<u>(8,095,247)</u>	<u>(5,554,580)</u>	<u>(4,147,735)</u>	<u>(476,235)</u>
	<u>1,148,998</u>	<u>3,701,953</u>	<u>11,349,028</u>	<u>29,505,602</u>

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefore, are set out in notes 19 and 20 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Under the Companies Law (2000 Revision) of the Cayman Islands concerning the application of the share premium account, this amount is distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Since the accumulated losses of the Company exceeded the amount standing to the credit of its share premium account as at 30 June 2005 and 30 June 2004, the Company did not have any reserves available for distribution.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Lan Ning (<i>Chairman</i>)	
Ms. Chiu Kam Hing, Kathy	
Mr. Pong Po Lam, Paul	
Ms. Ho Chiu King, Pansy	
Ms. Wang Wenxia, Wendy	(appointed on 15 January 2005)
Mr. Wu Shenbin	(appointed on 23 July 2004)
Mr. Lau Sze Shing, Edward (<i>Chairman</i>)	(resigned on 22 February 2005)

Non-executive directors:

Mr. Ding Xiao Bin	
Dr. Chan Po Fun, Peter	
Ms. Chan Man Yee	(appointed on 23 July 2004)
	(resigned on 10 March 2005)

Independent non-executive directors:

Mr. Zhang Yong	
Dr. Cheung Wai Bun, Charles	
Mr. Gu Qiu Rong	(appointed on 30 September 2004)

In accordance with article 87(3) of the Company's articles of association, Ms. Wang Wenxia, Wendy and article 88 Mr. Pong Po Lam, Paul, Ms. Chiu Kam Hing, Kathy, Mr. Wu Shenbin, and Ms. Ho Chiu King, Pansy will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors but not including the chairman of the board of directors and/or the managing director of the Company, are subject to retirement by rotation and re-election in accordance with the provisions of the Company's articles of association.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 4 to 5 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the related party and connected transactions which are disclosed below and in note 24 to the financial statements, no director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2005, the interests and short positions of the directors and chief executive in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Long position in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust		
Mr. Lau Sze Shing, Edward <i>(note)</i>	–	–	8,500,000	–	8,500,000	17.71

Note:

Mr. Lau Sze Shing, Edward is a beneficial shareholder of approximately 28.75% of the issued share capital of Oceanwide Investments Limited, which indirectly holds 8,500,000 shares of the Company through its wholly-owned subsidiary, Advance Elite Holdings Limited.

Ms. Chan Sui Kuen is the spouse of Mr. Lau Sze Shing, Edward. She is a beneficial shareholder of approximately 12.08% of the issued share capital of Oceanwide Investments Limited, which indirectly holds 8,500,000 shares of the company through its wholly owned subsidiary, Advance Elite Holdings Limited.

Save as disclosed above, none of the directors and chief executive had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2005, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Oceanwide Investments Limited	(a)	Through a controlled corporation	8,500,000	17.71
Advance Elite Holdings Limited	(a)	Directly beneficially owned	8,500,000	17.71
Ms. Chan Sui Kuen	(b)	Through a controlled corporation	8,500,000	17.71
Mr. Deng Chi Yuan		Directly beneficially owned	4,830,000	10.06

Notes:

- (a) The ordinary shares are held by Advance Elite Holdings Limited, which is wholly-owned by Oceanwide Investments Limited.
- (b) Ms. Chan Sui Kuen was deemed to have substantial interest in 8,500,000 shares of the Company by virtue of her 12.08% indirect interest in Advance Elite Holdings Limited, which holds 8,500,000 shares of the Company, and being the spouse of a director, Mr. Lau Sze Shing, Edward, who has 28.75% indirect interest in Advance Elite Holdings Limited, of which their combined interest in the Company exceeded 5%.

Save as disclosed above, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

RELATED PARTY AND CONNECTED TRANSACTIONS

Pursuant to the Investment Management Agreement dated 24 May 2001 between the Company and Glory Investment Assets Limited (the "Investment Manager"), the Investment Manager agreed to provide the Company with investment management services and general administrative services after it became registered as an investment adviser under the Securities Ordinance. The Investment Manager was registered as an investment adviser under the Securities Ordinance on 19 June 2001 for a three-year period commencing on 5 July 2001, the date immediately after the expiration of the term of the Interim Investment Management Agreement. Under the Investment Management Agreement, the Investment Manager is entitled to a monthly management fee payable in advance at 2.5% per annum of the net asset value of the Group as at the end of the preceding month, calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. In addition, the Investment Manager is also entitled to 15% of an increase in net asset value of the Group over a financial year or period.

Pursuant to a supplemental agreement to the Investment Management Agreement dated 25 June 2002 entered into between the Company and the Investment Manager (the "Supplemental Agreement"), the monthly management fee payable in advance was reduced from 2.5% per annum to 2.0% per annum of the net asset value of the Group as at the end of the preceding month, calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. The Supplemental Agreement became effective on 2 August 2002.

During the year on 24 May 2004, the above arrangement between the Company and the Investment Manager has been extended for a period of one year, with effect from 5 July 2004.

During the year, an investment management fee amounting to HK\$100,189 was paid to the Investment Manager for services rendered.

RELATED PARTY AND CONNECTED TRANSACTIONS *(Continued)*

Ms. Chiu Kam Hing, Kathy, an executive director of the Company, has a 30% equity interest in the Investment Manager and is one of the directors of the Investment Manager. Accordingly, this arrangement constitutes a connected transaction under Chapter 14 of the Listing Rules and is also a related party transaction under the accounting standards issued by the Hong Kong Institute of Certified Public Accountants, as disclosed in note 24 to the financial statements.

In accordance with the requirements of the waiver granted by the Stock Exchange, the independent non-executive directors of the Company confirm that:

- (a) the above transaction has been entered into in the ordinary and usual course of the business of the Company and is conducted in accordance with the terms of the Investment Management Agreement;
- (b) the above transaction has been entered into on normal commercial terms and on an arm's length basis; and
- (c) the above transaction has been entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

Details of related party transactions of the Group are set out in note 24 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange, throughout the accounting period covered by the annual report, except that the independent non-executive directors have not been appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

AUDIT COMMITTEE

The Company has an audit committee (the "Committee") which was established with written terms of reference, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The primary duties of the Committee are to review and supervise the financial reporting process and internal control system of the Group. The Committee comprises the three independent non-executive directors. Two audit committee meetings were held during the year and prior to the date of this report.

AUDITORS

During the year, Messrs. Ernst & Young resigned, who acted as auditors of the Company for the years ended 30 June 2004 and 2003. CCIF CPA Limited were appointed as the Company's auditors to fill up the casual vacancy.

A resolution for the re-appointment of CCIF CPA Limited as the auditors of the Company for the ensuing year will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lan Ning
Chairman

Hong Kong
12 December 2005

**CCIF****CCIF CPA LIMITED**

37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

To the members

Prime Investments Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 12 to 32 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. As further explained in note 3 to the financial statements, which report net current liabilities of HK\$4,448,719 of the Company and the Group, respectively, at 30 June 2005, have been prepared on the going concern basis, the validity of which is dependent upon the continued financial support from a shareholder of the Company. The financial statements do not include any adjustments that would result from the failure to obtain the continued financial support from the shareholder of the Company. We consider that appropriate disclosures and estimates have been made in the financial statements and our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2005 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited

Certified Public Accountants

Hong Kong, 12 December 2005

Choi Man On

Practising Certificate Number P02410

12 | CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2005

	Notes	2005 HK\$	2004 HK\$
TURNOVER	6	–	–
Other revenue and gains	6	–	201
Administrative expenses		(2,381,825)	(3,722,982)
Other operating expenses, net		<u>(21,351)</u>	<u>(2,050,000)</u>
LOSS FROM OPERATING ACTIVITIES	7	(2,403,176)	(5,772,781)
Finance costs	8	<u>(149,779)</u>	<u>(327,699)</u>
LOSS BEFORE TAXATION		(2,552,955)	(6,100,480)
Taxation	10	<u>–</u>	<u>–</u>
NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	11	<u>(2,552,955)</u>	<u>(6,100,480)</u>
LOSS PER SHARE	12		
Basic		<u>5.3 cents</u>	<u>13.5 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET | 13

30 June 2005

	Notes	2005 HK\$	2004 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	13	106,208	82,540
Investment securities	14	9,000,000	9,000,000
Rental deposit		54,314	–
		<u>9,160,522</u>	<u>9,082,540</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables		72,500	72,500
Cash and bank balances		11,223	101,493
		<u>83,723</u>	<u>173,993</u>
CURRENT LIABILITIES			
Other loan	16	400,000	–
Other payables and accrued liabilities		1,446,846	925,538
Due to directors	17	2,685,596	–
		<u>4,532,442</u>	<u>925,538</u>
NET CURRENT LIABILITIES		<u>(4,448,719)</u>	<u>(751,545)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,711,803</u>	<u>8,330,995</u>
NON-CURRENT LIABILITIES			
Due to a director	17	828,404	2,027,998
Due to a shareholder	18	2,734,401	2,601,044
		<u>3,562,805</u>	<u>4,629,042</u>
NET ASSETS		<u>1,148,998</u>	<u>3,701,953</u>
CAPITAL AND RESERVES			
Issued capital	19	4,800,000	4,800,000
Reserves		(3,651,002)	(1,098,047)
		<u>1,148,998</u>	<u>3,701,953</u>

Lan Ning
Director

Wang Wenxia
Director

14 | CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2005

	Notes	Issued share capital HK\$	Share premium account HK\$	Investment revaluation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 30 June 2003		4,000,000	30,944,887	–	(23,595,859)	11,349,028
Issue of shares	19	800,000	1,200,000	–	–	2,000,000
Share issue expenses	19	–	(46,595)	–	–	(46,595)
Deficit on revaluation		–	–	(6,000,000)	–	(6,000,000)
Transfer to income statement on impairment	7	–	–	2,500,000	–	2,500,000
Loss for the year		–	–	–	(6,100,480)	(6,100,480)
At 30 June 2004 and 1 July 2004		4,800,000	32,098,292*	(3,500,000)*	(29,696,339)*	3,701,953
Loss for the year		–	–	–	(2,552,955)	(2,552,955)
At 30 June 2005		4,800,000	32,098,292*	(3,500,000)	(32,249,294)*	1,148,998

* These reserve accounts comprise the consolidated debit reserve of HK\$3,651,002 (2004: a debit reserve of HK\$1,098,047) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

15

Year ended 30 June 2005

	Notes	2005 HK\$	2004 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(2,552,955)	(6,100,480)
Adjustments for:			
Finance costs	8	149,779	327,699
Interest income	6	–	(1)
Gain on disposal of subsidiaries	6	–	(200)
Loss on disposal of property, plant and equipment	7	21,351	–
Depreciation	7	17,458	98,054
Impairment of investment securities	7	–	2,500,000
Gain on disposal of investment securities	7	–	(450,000)
Operating loss before working capital changes		(2,364,367)	(3,624,928)
Increase in a rental deposit		(54,314)	–
Increase in prepayments, deposits and other receivables		–	(67,900)
Increase in other payables and accrued liabilities		371,529	509,850
Increase in amounts due to directors		486,002	13,012
Cash used in operations		(1,561,150)	(3,169,966)
Interest paid		–	(258,822)
Net cash outflow from operating activities		(1,561,150)	(3,428,788)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		–	1
Purchases of property, plant and equipment	13	(113,801)	(3,114)
Proceeds from disposal of property, plant and equipment		51,324	–
Proceeds from disposal of subsidiaries	22	–	200
Proceeds from disposal of investment securities		–	450,000
Net cash (outflow)/inflow from investing activities		(62,477)	447,087
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	19	–	2,000,000
Share issue expenses	19	–	(46,595)
New other loan		400,000	–
Repayment of other loans		–	(3,046,250)
Advance of loan from a director		1,000,000	1,500,000
Advance of loan from a shareholder		–	2,500,000
Increase in amount due to a shareholder		133,357	101,044
Net cash inflow from financing activities		1,533,357	3,008,199
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(90,270)	26,498
Cash and cash equivalents at beginning of year		101,493	74,995
CASH AND CASH EQUIVALENTS AT END OF YEAR		11,223	101,493
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		11,223	101,493

16 | BALANCE SHEET

30 June 2005

	Notes	2005 HK\$	2004 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	13	106,208	82,540
Interests in subsidiaries	15	9,000,000	9,000,000
Rental deposit		54,314	—
		<u>9,160,522</u>	<u>9,082,540</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables		72,500	72,500
Cash and bank balances		11,223	101,493
		<u>83,723</u>	<u>173,993</u>
CURRENT LIABILITIES			
Other loan	16	400,000	—
Other payables and accrued liabilities		1,446,846	925,538
Due to directors	17	2,685,596	—
		<u>4,532,442</u>	<u>925,538</u>
NET CURRENT LIABILITIES		<u>(4,448,719)</u>	<u>(751,545)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,711,803</u>	<u>8,330,995</u>
NON-CURRENT LIABILITIES			
Due to directors	17	828,404	2,027,998
Due to a shareholder	18	2,734,401	2,601,044
		<u>3,562,805</u>	<u>4,629,042</u>
		<u>1,148,998</u>	<u>3,701,953</u>
CAPITAL AND RESERVES			
Issued capital	19	4,800,000	4,800,000
Reserves	21(b)	(3,651,002)	(1,098,047)
		<u>1,148,998</u>	<u>3,701,953</u>

Lan Ning
Director

Wang Wenxia
Director

30 June 2005

1. CORPORATE INFORMATION

Prime Investments Holdings Limited (the "Company") was incorporated on 12 July 2000 in the Cayman Islands under the Companies Law as an exempted company with limited liability. The address of the registered office of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.

The Company's principal place of business is located at Room 504, 5/F, Chinachem Tower, 34-37 Connaught Road Central, Central, Hong Kong.

The Company is an investment holding company while the Group is principally engaged in the investment of listed and unlisted companies established and/or doing business in Hong Kong and other parts of the PRC.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 July 2005. The company has not early adopted these new HKFRSs in the financial statements for the year ended 30 June 2005. The company has already commenced assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. GOING CONCERN CONCEPT

The Group had a net loss attributable to shareholders of HK\$2,552,955 for the year ended 30 June 2005 (2004: loss of HK\$6,100,480). The Group and the Company had consolidated net current liabilities and net current liabilities of HK\$4,448,719 (2004: net current liabilities -Group – HK\$751,545 and Company – HK\$751,545) and consolidated accumulated losses of HK\$32,249,294 (2004: HK\$29,696,339) and accumulated losses of HK\$35,749,294 (2004: HK\$33,196,339) at 30 June 2005. During the year, the net asset value of the Group further deteriorated, which was largely due to the operating expenses incurred during the year.

The financial statements have been prepared on the basis that the Company and the Group will continue to operate as a going concern as the directors of the Company are of the opinion that the Company and the Group are able to continue as a going concern and to meet their obligations as and when they fall due having regard to the followings:

- (i) a shareholder of the Company agreed to waive the debt of HK\$2,765,838 (which included the amount of HK\$2,734,401 due by the Company as at 30 June 2005) due by the Company on 30 November 2005 as detailed on note 25 to the financial statements and confirmed to provide the Company with continuous financial support to meet its liabilities as and when they fall due; and
- (ii) the Group intends to raise additional capital to meet its working capital requirements in the future.

The directors believe the Group and the Company will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group and the Company fail to continue as a going concern.

If the going concern basis were not be appropriate, adjustments would have to be made to restate the values of the Group's and the Company's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

30 June 2005

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 June 2005. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of that asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	25%
Office equipment	33 $\frac{1}{3}$ %

The gain or loss on disposal or retirement of an asset recognised in the income statement, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Investment securities

Investment securities are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis. These are determined by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases or projected cash flows of the securities or comparison of price/revenue ratios, price/earnings ratios and dividend yields of the securities with those of similar listed securities, with allowance made for the lower liquidity of the unlisted securities.

The gains or losses arising from changes in the fair value of an investment security are dealt with as movements in the investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the investment revaluation reserve, together with the amount of any further impairment, is charged to the income statement in the period in which the impairment arises.

30 June 2005

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Income tax**

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) income from securities trading, when the transactions are completed; and
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension scheme and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The income statements of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

5. SEGMENT INFORMATION

The Group is principally engaged in the investment in listed and unlisted companies. Accordingly, no analysis of business segment is provided. No geographical analysis is presented as none of the Group's turnover, results, assets and liabilities are attributable to markets outside the People's Republic of China (including Hong Kong).

30 June 2005

6. TURNOVER, OTHER REVENUE AND GAINS

The Group is principally engaged in the investment in listed and unlisted companies. An analysis of turnover, other revenue and gains is as follows:

	Note	2005 HK\$	2004 HK\$
Turnover			
Proceeds from sale of trading securities		—	—
Other revenue and gains			
Interest income		—	1
Gain on disposal of subsidiaries	22	—	200
		—	201

7. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	Note	2005 HK\$	2004 HK\$
Depreciation	13	17,458	98,054
Lease payments under operating leases on land and buildings		34,544	826,167
Auditors' remuneration		130,000	150,000
Staff costs (excluding directors' remuneration, see note 9):			
Wages and salaries		329,399	221,250
Pension scheme contributions*		17,013	10,875
		346,412	232,125
Loss on disposal of property, plant and equipment		21,351	—
Gain on disposal of investment securities**		—	(450,000)
Impairment of investment securities**		—	2,500,000

* At 30 June 2005, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2004: Nil).

** Included in "Other operating expenses" on the face of the consolidated income statement.

8. FINANCE COSTS

	Group	
	2005 HK\$	2004 HK\$
Interest expense on:		
Other loans	19,703	258,822
Advances from directors	53,020	12,576
Advance from a shareholder	77,056	56,301
	149,779	327,699

30 June 2005

9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION**(a) Directors**

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2005	2004
	HK\$	HK\$
Fees	<u>75,000</u>	<u>75,000</u>
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	900,000	800,000
Pension scheme contributions	<u>10,000</u>	<u>12,000</u>
	<u>910,000</u>	<u>812,000</u>
	<u>985,000</u>	<u>887,000</u>

The directors' fees disclosed above include HK\$30,000 (2004: HK\$45,000) paid to the non-executive and independent non-executive directors.

The remuneration of each of the directors fell within the remuneration band of Nil to HK\$1,000,000.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(b) Five highest paid individuals

The five highest paid individuals during the year included two (2004: two) directors, details of whose remuneration are set out in note 9(a) above. Details of the remuneration of the remaining three (2004: three) non-director, highest paid individuals for the year are as follows:

	Group	
	2005	2004
	HK\$	HK\$
Basic salaries, housing allowances, other allowances and benefits in kind	329,399	183,650
Pension scheme contributions	<u>17,013</u>	<u>8,995</u>
	<u>346,412</u>	<u>192,645</u>

The remuneration of each of these individuals fell within the remuneration band of Nil to HK\$1,000,000.

30 June 2005

10. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2004: Nil).

A reconciliation of the tax expense applicable to loss before tax using the statutory rate to the tax at the effective tax rate is as follows:

	2005		Group		2004	
	HK\$	%	HK\$	%	HK\$	%
Loss before taxation	<u>(2,552,955)</u>		<u>(6,100,480)</u>			
Tax at the statutory tax rate of 17.5% (2004: 17.5%)	(446,767)	17.5	(1,067,584)	17.5		
Income not subject to tax	-		(78,785)	0.9		
Expenses not deductible for tax	-		1,132,316	(18.5)		
Deferred tax liabilities not recognised	(1,866)	-	14,053	(0.1)		
Tax losses carried forward not recognised as deferred tax asset	<u>448,633</u>	<u>(17.5)</u>				
Tax at effective rate	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		

The Group has tax losses arising in Hong Kong of HK\$9,459,384 (2004: HK\$9,459,384) that are available indefinitely for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as the Group has been loss-making for some time.

11. NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

The net loss for the year attributable to shareholders for the year ended 30 June 2005 dealt with in the financial statements of the Company, was HK\$2,552,955 (2004: HK\$9,600,480).

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year attributable to shareholders of HK\$2,552,955 (2004: HK\$6,100,480) and the weighted average of 48,000,000 (2004: 45,063,014) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 30 June 2005 and 2004 have not been disclosed as no diluting events existed during these two years.

30 June 2005

13. PROPERTY, PLANT AND EQUIPMENT

Group and Company	Furniture and fixtures HK\$	Office equipment HK\$	Total HK\$
Cost:			
At beginning of year	113,707	215,548	329,255
Additions	90,745	23,056	113,801
Disposals	(113,707)	(215,548)	(329,255)
At 30 June 2005	<u>90,745</u>	<u>23,056</u>	<u>113,801</u>
Accumulated depreciation:			
At beginning of year	62,211	184,504	246,715
Charge for the year	10,409	7,049	17,458
Disposals	(66,948)	(189,632)	(256,580)
At 30 June 2005	<u>5,672</u>	<u>1,921</u>	<u>7,593</u>
Net book value:			
At 30 June 2005	<u>85,073</u>	<u>21,135</u>	<u>106,208</u>
At 30 June 2004	<u>51,496</u>	<u>31,044</u>	<u>82,540</u>

14. INVESTMENT SECURITIES

	Group	
	2005 HK\$	2004 HK\$
Unlisted equity securities, at fair value	<u>9,000,000</u>	<u>9,000,000</u>

As at 30 June 2005, the carrying amounts and further details of interests in the investments were as follows:

Name	Place of incorporation	Particulars of equity interests held	Investment value		Interest held
			Acquisition cost HK\$	At fair value HK\$	
China Link Investment Group Limited ("China Link") (note i)	British Virgin Islands ("BVI")	Ordinary shares of US\$1.00 each	5,000,000	4,000,000	22%
Zhongshan Chinese Standard Building Materials Company Limited (note ii)	The PRC	Registered capital of RMB525,000	5,000,000	2,500,000	1.97%
Sunkock Development Limited ("Sunkock") (note iii)	Hong Kong	Ordinary shares of HK\$1.00 each	5,000,000	2,500,000	20%

30 June 2005

14. INVESTMENT SECURITIES (Continued)

Notes:

- (i) China Link is principally engaged in the development of a website providing on-line professional consultancy services in the PRC. China Link is not accounted for as an associate as, in the opinion of the directors, the Group has no significant influence over its financial and operating decisions. In February 2004, the investee company of China Link became an overseas listed company through a reverse take-over exercise.
- (ii) Zhongshan Chinese Standard Building Materials Company Limited is principally engaged in the production and distribution of window frames in the PRC.
- (iii) Sunkock is principally engaged in the development of medical products in the PRC.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK\$	HK\$
Unlisted shares, at cost	32	32
Due from subsidiaries	<u>18,499,968</u>	<u>18,499,968</u>
	18,500,000	18,500,000
Provision for impairment	<u>(9,500,000)</u>	<u>(9,500,000)</u>
	<u>9,000,000</u>	<u>9,000,000</u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital	Percentage of equity directly attributable to the Company	Principal activities
Double Lucky Investment Co., Ltd.	BVI	US\$1.00	100	Investment holding
Sun Talent Investment Co., Ltd.	BVI	US\$1.00	100	Investment holding
Market Place Investment Co., Ltd.	BVI	US\$1.00	100	Investment holding
Glorison Limited	BVI	US\$1.00	100	Investment holding

30 June 2005

16. OTHER LOAN

Included in other loan is a loan of HK\$400,000 (2004: Nil) from an independent third party, is unsecured, interest-free and with no fixed repayment term.

17. DUE TO DIRECTORS

Except for amounts of HK\$1,500,000 and HK\$1,000,000 (2004: HK\$1,500,000) due to two directors which bear interest at the rate of 3% and 2.4% (2004: 3%) per annum, respectively, the amounts due to directors are unsecured, interest-free and repayable within one year except for HK\$828,404 is not repayable within the next twelve months.

18. DUE TO A SHAREHOLDER

Except for amount of HK\$2,500,000 (2004: HK\$2,500,000) due to the shareholder which bears interest at the rate of 3% (2004: 3%) per annum, the amount due is unsecured, interest-free and not repayable within one year. The amount due totalling HK\$2,734,401, together with the additional interest of HK\$31,437 after the balance sheet date was subsequently waived by the shareholder on 30 November 2005 as further detailed in note 25 below.

19. ISSUED CAPITAL

	2005	2004
	HK\$	HK\$
Authorised:		
200,000,000 ordinary shares of HK\$0.10 each	<u>20,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
48,000,000 ordinary shares of HK\$0.10 each	<u>4,800,000</u>	<u>4,800,000</u>

On 12 November 2003, 8,000,000 ordinary shares of HK\$0.10 each were issued to independent investors at a price of HK\$0.25 per share. The gross proceeds of HK\$2,000,000, before expenses, from the issue of shares were raised for the purpose of partly providing the necessary funding for the repayment of other loans of the Group and partly providing general working capital for the Group. The market price of the Company's shares at their placement date was HK\$0.3 per share.

30 June 2005

19. ISSUED CAPITAL (Continued)

A summary of the transaction during the year with reference to the above movement in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued share capital HK\$	Share premium account HK\$	Total HK\$
At 1 July 2003	40,000,000	4,000,000	30,944,887	34,944,887
Issue of shares	8,000,000	800,000	1,200,000	2,000,000
Share issue expenses	–	–	(46,595)	(46,595)
At 30 June 2004	<u>48,000,000</u>	<u>4,800,000</u>	<u>32,098,292</u>	<u>36,898,292</u>
At 30 June 2005	<u>48,000,000</u>	<u>4,800,000</u>	<u>32,098,292</u>	<u>36,898,292</u>

20. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

On 24 May 2001, the Company approved the Scheme under which the directors may, at their discretion, grant to full-time employees and executive directors of the Group, the right to take up options to subscribe for shares of the Company during the 10 years from its date of approval. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 8 June 2001 and unless otherwise cancelled or amended, will remain in force for 10 years from that date. No options have been granted since the approval of the Scheme.

Subsequent to the adoption of the Scheme on 24 May 2001, the Stock Exchange introduced a number of changes to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on share option schemes. These new rules came into effect on 1 September 2001. No share options have been granted under the Scheme since the adoption of these new rules on 1 September 2001. However, any option to be granted under the Scheme shall be subject to the new changes which include, inter alia, the following:

- (a) the maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting;
- (b) share options granted to a director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by independent non-executive directors; and
- (c) the exercise price of share options is determined by directors, but may not be less than the higher of: (i) the Stock Exchange closing price of the shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant.

30 June 2005

20. SHARE OPTION SCHEME (Continued)

Under the existing Scheme, the maximum number of shares over which options may be granted may not exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued pursuant to the Scheme. No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the Scheme exceeding 25% of the aggregate number of shares subject to the Scheme, at the time it is proposed to grant the relevant option to such person. The subscription price of the options is to be subject to a minimum which is the higher of the nominal value of a share and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant date of the options. The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1. The options granted can be exercised at any time during a period specified by the directors, which commences on the grant date and expires on the last day of such period, and in any event such period must not be less than 3 years and not more than 10 years from the grant date of the options.

The Company will amend, in due course, the terms of the Scheme to comply with the requirements of the amended Listing Rules on share option schemes.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

21. RESERVES**(a) Group**

The movements in the Group's reserves for the current and prior years are presented in the consolidated statement of changes in equity on page 14 of the financial statements.

(b) Company

	Share premium account HK\$	Accumulated losses HK\$	Total HK\$
At 1 July 2003	30,944,887	(23,595,859)	7,349,028
Issue of shares	1,200,000	–	1,200,000
Share issue expenses	(46,595)	–	(46,595)
Loss for the year	–	(9,600,480)	(9,600,480)
At 30 June 2004 and 1 July 2004	32,098,292	(33,196,339)	(1,098,047)
Loss for the year	–	(2,552,955)	(2,552,955)
At 30 June 2005	<u>32,098,292</u>	<u>(35,749,294)</u>	<u>(3,651,002)</u>

Under the Companies Law (2000 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Since the accumulated losses of the Company exceeded the amount standing to the credit of its share premium account as at 30 June 2005. At 30 June 2005 and 2004, the Company did not have any reserves available for distribution.

30 June 2005

22. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposals of subsidiaries

	2005 HK\$	2004 HK\$
Net assets disposed of:		
Investment securities	-	3,500,000
Provision for impairment	-	(3,500,000)
Rental deposit	-	239,688
Accrued expenses	-	(239,688)
	<hr/>	<hr/>
	-	-
Gain on disposal of subsidiaries	-	200
	<hr/>	<hr/>
	-	200
	<hr/>	<hr/>
Satisfied by:		
Cash	-	200
	<hr/>	<hr/>

An analysis of the net inflow of cash and cash equivalents in respect of the disposals of subsidiaries is as follows:

	2005 HK\$	2004 HK\$
Cash consideration	-	200
Cash and bank balances disposed of	-	-
	<hr/>	<hr/>
Net inflow of cash and cash equivalents in respect of the disposals of subsidiaries	-	200
	<hr/>	<hr/>

The results of subsidiaries disposed of in the previous year had no significant impact on the Group's consolidated turnover or loss after tax.

23. OPERATING LEASE ARRANGEMENTS

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

	Group and Company	
	2005 HK\$	2004 HK\$
Within one year	170,352	-
In the second to fifth years, inclusive	107,991	-
	<hr/>	<hr/>
	278,343	-
	<hr/>	<hr/>

24. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in notes 17 and 18 to the financial statements, significant related party transactions, which were carried out in the normal course of the Group's business, are summarised as follows:

	Notes	2005 HK\$	2004 HK\$
Investment management fee paid to Glory Investment Assets Limited	(i)	100,189	272,633
Interest expense paid to directors	(ii)	53,020	12,576
Interest expense paid to a shareholder	(iii)	77,056	56,301
Disposal of property, plant and equipment	(iv)	<u>51,324</u>	<u>—</u>

- (i) Pursuant to the Investment Management Agreement dated 24 May 2001 entered into between the Company and Glory Investment Assets Limited (the "Investment Manager"), the Investment Manager provides investment management services and general administrative services to the Group. Under this arrangement, the Investment Manager is entitled to a monthly management fee payable in advance, calculated at 2.5% per annum of the net asset value of the Group as at the end of the preceding month on the basis of the actual number of days in the relevant calendar month over a year of 365 days. In addition, the Investment Manager is also entitled to 15% of the surplus in net asset value of the Group over a financial year or period.

Pursuant to a supplemental agreement to the Investment Management Agreement dated 25 June 2002 entered into between the Company and the Investment Manager (the "Supplemental Agreement"), the monthly management fee payable in advance was reduced from 2.5% per annum to 2.0% per annum of the net asset value of the Group as at the end of the preceding month, calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. The Supplemental Agreement became effective on 2 August 2002.

During the year on 24 May 2004, the above arrangement between the Company and the Investment Manager has been extended for a period of one year, with effect from 5 July 2004.

Ms. Chiu Kam Hing, Kathy, an executive director of the Company, has a 30% equity interest in the Investment Manager.

- (ii) The interest expense paid to the two directors of the Company relates to an advance granted, further details of which are included in note 17 to the financial statements.
- (iii) The interest expense paid to a shareholder of the Company relates to an advance granted, further details of which are included in note 18 to the financial statements.
- (iv) The Company disposed property, plant and equipment to a company, in which Ms Chiu Kam Hing, Kathy, an executive director of the Company, is also a director of that company.

During the year, a shareholder has undertaken to provide continuing financial support to the Company to meet its obligations and liabilities as and when they fall due (note 3).

30 June 2005

25. POST BALANCE SHEET EVENT

On 30 November 2005, a deed of waiver was made between the Company and Oceanwide Investments Limited (“Oceanwide”), a shareholder of the Company, pursuant to which, Oceanwide agreed to waive the debt of HK\$2,765,838 (including the amount of HK\$2,734,401 brought forward from 30 June 2005) due by the Company.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12 December 2005.